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11 APRIL 1987

China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

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CHINA REPORT

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PRC STATE COUNCIL BULLETINS

No 3, 20 FEB; No 4, 28 FEB; No 5, 10 MAR 1986

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese 20, 28 Feb; 10 Mar 86

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REGULATIONS ON CURRENCY DEFICITS IN JOINT VENTURES

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 3, 20 Feb 86 pp 66-68

[State Council Regulations on the Question of Foreign Exchange Balance of Sino-Foreign Joint Ventures (Promulgated by the State Council on 15 January 1986)]

(Guofa [0948 4099] (1986) No 6)

[Text] Article 1. The present regulations are formulated to encourage foreign partners to set up Sino-foreign joint ventures in Chinese territory, to improve the foreign exchange balance of these ventures for the benefit of production and operation, and to enable foreign partners to remit their legitimate profits abroad.

Article 2. Sino-foreign joint ventures should aim to produce more for export to earn foreign currency, and should strive to maintain a healthy balance on their foreign exchange accounts.

Article 3. Foreign exchange balance problems of Sino-foreign joint ventures set up with the approval of relevant laws shall be handled at the respective levels in accordance with examination and approval jurisdiction.

The deficits of a Sino-foreign joint venture approved by its competent state authority shall be readjusted by the competent state authority with foreign exchange reserves drawn from Sino-foreign joint ventures all over the country, or may be readjusted by the competent state authority in conjunction with the local people's government according to an agreed proportion. If the Sino-foreign joint venture was established with the approval of a local people's government empowered by the State Council or entrusted by a competent state authority, or with the approval of a relevant department of the State Council, the deficits shall be readjusted by that local people's government or department with foreign exchange reserves drawn from Sino-foreign joint ventures under its administration.

Article 4. Should there be an urgent need by domestic buyers for sophisticated products produced with advanced or essential technology provided by foreign partners, or for internationally competitive products of high quality, preferential treatment may be granted in respect of the proportion

and term of their domestic sales after such products have been verified as up to standard by the competent department and approval has been obtained in accordance with the examination and approval jurisdiction and procedures. Such domestic sales must be clearly defined in contracts signed between the producing and buying sides.

In accordance with Paragraph 2, Article 3 of the present regulations, foreign exchange balance proposals for enterprises referred to in the foregoing paragraph shall be formulated by the approving authority. Foreign exchange balance proposals formulated by the approving authorities should, as befits administrative ranking, be submitted to the Ministry of Foreign Economic Relations and Trade or local economic and trade departments for examination and recommendation, and then reported to the State Planning Commission or local planning committees for approval. After approval has been granted, the proposals shall be incorporated into long-term or annual foreign exchange consumption plans and implemented.

Article 5. Sino-foreign joint ventures producing goods which China has been importing for long periods or which urgently need importing may apply to the relevant departments of the State Council or relevant local departments for import substitution according to the quality, specifications, and importing of the goods in question. Such substitution should be clearly defined in the joint venture contract signed by the parties to the venture, or in contracts signed between the producing and buying sides.

Economic and trade departments should actively support domestic consumption units to conclude purchase and sales contracts with Sino-foreign joint ventures referred to in the foregoing paragraph at prevailing international prices. Their foreign exchange consumption proposals should be formulated in accordance with Paragraph 2, Article 3 of the present regulations and, as befits the administrative ranking, submitted to the Ministry of Foreign Economic Relations and Trade or local economic and trade departments for examination and recommendations, and then reported to the State Planning Commission or local planning committees for approval. After approval has been granted, the proposals shall be incorporated into long-term or annual foreign exchange consumption plans for imports and implemented.

Article 6. With a view to maintaining foreign exchange balance, Sino-foreign joint ventures may, with the approval of the Ministry of Foreign Economic Relations and Trade, make use of the marketing connections of their foreign partners to promote the export of domestic products in order to achieve overall compensation. However, special approval must be obtained from the Ministry of Foreign Economic Relations and Trade if the products concerned are subject to unified state control and export quotas and require export licenses. Sino-foreign joint ventures may not export such products without approval.

Article 7. Sino-foreign joint ventures which do not fulfill contract requirements on export production and foreign exchange earnings shall not receive help from the authorities concerned if they run up against foreign exchange balance problems.

Article 8. Products sold by Sino-foreign joint ventures to enterprises in places other than the special economic zones or economic and technical development zones of the open coastal cities which have the ability to pay in foreign exchange may, with the approval of state foreign exchange control departments, be allowed to be paid in foreign currency.

Article 9. Foreign partners involved in one or more Sino-foreign joint ventures in the Chinese territory (including different localities and different departments) may, with the approval of state foreign exchange control authorities, be allowed to draw from the legal foreign exchange earnings of one venture to cover the deficits in another.

Readjustments referred to in the foregoing paragraph should be agreed upon by the parties to the venture.

Article 10. With the approval of the Ministry of Foreign Economic Relations and Trade and foreign exchange control departments, foreign partners of Sino-foreign joint ventures which run into foreign exchange deficits may, in accordance with Article 7 of the "Law of the PRC on Sino-Foreign Joint Ventures," reinvest their share of RMB earnings from such ventures in other domestic enterprises which they consider will create foreign exchange earnings or will yield additional foreign exchange. In addition to the preferential treatment of being refunded, according to law, part of the income taxes already paid, they may also obtain foreign exchange from the additional foreign exchange earnings of the enterprises they reinvested in and remit their legitimate profits abroad.

Article 11. The present regulations shall apply to Sino-foreign cooperatively run enterprises set up in Chinese territory, and to joint ventures and cooperatively run enterprises set up with partners from companies, enterprises, and other economic organizations in Hong Kong, Macao, and Taiwan. They shall also apply to joint ventures and cooperatively run enterprises set up with investment from overseas Chinese.

These regulations shall not apply to financial and insurance enterprises set up by foreign partners in Chinese territory, or to similar enterprises set up in China by partners from Hong Kong, Macao, and Taiwan.

Article 12. The present regulations shall prevail should they contravene previously promulgated regulations on foreign exchange balance of Sino-foreign joint ventures.

Article 13. The Ministry of Foreign Economic Relations and Trade shall be responsible for the interpretation of the present regulations.

Article 14. The present regulations shall take effect from 1 February 1986.

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CSO: 4005/912

MAXIMUM TERM OF MOST JOINT VENTURES EXTENDED

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 3, 20 Feb 86 p 68

[Amendment of Article 100 of "Rules of Implementation of the Law of Sino-Foreign Joint Ventures of the PRC" (Amended by the State Council on 15 January 1986)]

(Guofa [0948 4099] (1986) No 6)

[Text] Article 100 of "Rules of Implementation of the Law of Sino-Foreign Joint Ventures of the PRC" promulgated by the State Council on 20 September 1983 stipulates: "The term of a joint venture shall be decided through consultation by the parties to the venture according to its particular line of business and circumstances. The term of a joint venture engaged in an ordinary project shall, in principle, be between 10 and 30 years. The term of a joint venture requiring large amounts of investment and long periods for construction and operating on low profit margins can be extended to more than 30 years." This is hereby amended to read:

"The term of a joint venture shall be decided through consultation by the parties to the venture according to its particular line of business and circumstances. The term of a joint venture engaged in an ordinary project shall be between 10 and 30 years. The term of a joint venture requiring large amounts of investment and long periods of construction and operating on low profit margins, or having foreign partners who provide advanced or crucial technology for the production of sophisticated products, or producing products that can compete in international markets, may be extended to 50 years. With the special approval of the State council, the term may be extended to beyond 50 years."

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CSO: 4005/912

2 HUNAN PREFECTURES ABOLISHED

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 3, 20 Feb 86 p 80

[State Council Approval of a Request by the Hunan Provincial People's Government To Abolish Yueyang and Shaoyang Prefectures and Place the Counties Under the Jurisdiction of the Respective Cities (27 January 1986)]

(Guohan [0948 0428] (1986) No 18)

[Text] Hunan Province's "Request Concerning Abolishing Yueyang and Shaoyang Administrative Offices and Placing the Counties Under the Jurisdiction of the Respective Cities" and "Second Request Concerning Abolishing Yueyang and Shaoyang Administrative Offices and Placing the Counties Under the Jurisdiction of the Respective Cities" have been received. We approve your requests:

1. Yueyang Prefecture is abolished and Linhu, Huarong, Huyin, Miluo, and Pingjiang Counties are placed under the jurisdiction of Yueyang City.
2. Shaoyang Prefecture is abolished and Shaoyang, Longhui, Dongkou, Wugang, Suining, Xinning Counties and Chengbu Miao Autonomous County are placed under the jurisdiction of Shaoyang City.

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CSO: 4005/912

REPORT ON 'THREE NORTH' SHELTERBELT NETWORK PROGRESS

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 5, 10 Mar 86 pp 108-112

[Report of the Leadership Group of the "Three North" Shelterbelt Network Project on the Experience Gained From the First Phase and the Arrangements for the Second Phase (Summary) (30 December 1985)]

[Text] The first phase of the "Three North" shelterbelt network project (1978-1985) in northwest, north, and northeast China came to an end in 1985 and is beginning its second phase in 1986. For the purpose of dovetailing work between the two phases and ensuring continuity, the leadership group of the "Three North" shelterbelt network project met under the chairmanship of its group leader Comrade Song Ping [1345 1627] to sum up and exchange experience gained from the first phase and to discuss issues pertaining to the second phase. The following is a report of the meeting:

I

By the end of 1985, the first phase of the "Three North" shelterbelt network project has overfulfilled its assigned task by afforesting 90.83 million mu of land. When these trees grow up to their full size, the forest cover in these areas will be increased from 4 percent to 5.9 percent, the hazards of sandstorm will be reduced in some areas, soil erosion will be brought under control to varying degrees, and more than 120 million mu of farmland will be sheltered by trees. Also, the shortage of timber, feed, fertilizer, and fuel in some places will be mitigated somewhat. The first phase of this project has offered valuable experience to the large-scale construction of shelterbelts in China.

1. Proceed from reality in building up shelterbelt networks: Since the "Three North" region is so vast and conditions differ so much from place to place, we must proceed from reality, devise measures according to local conditions, and build shelterbelts to counter specific hazards. With due regard to the production and livelihood needs of the masses, we combined the building of shelterbelts with the building of economic, fuel, and timber forests and the planting of trees on the fringes of villages, along rivers and roads, and around cottages; combined the building of farmland forest networks and shelterbelts with the afforestation of whole tracts of land; combined the planting of arbors with the planting of bushes and grass; and

combined artificial afforestation and grass planting and the closing off of afforested hills to protect trees and grass with the proper management and protection of existing vegetation. We tackled problems comprehensively in terms of a whole mountain range or river basin and tried where possible to afforest whole tracts of land in order to form a complete network as quickly as possible. As a result, we were able to break away from the age-old convention of one-sidedly emphasizing the building of timber forests, developing forest belts, and planting arbors, and were able to change the practice of solely relying on artificial afforestation and neglecting the closing off of afforested hills to protect trees and grass.

2. Combine labor input by the masses with funding from various quarters and state subsidies: During the first phase, state subsidies to special investment projects (including investment in capital construction and the funding of development in the underdeveloped areas) amounted to 300 million yuan, of which 70 percent was spent on subsidizing afforestation by the masses. Local governments at various departments, various departments concerned and the PLA played a useful role under the slogan "pool funds from all quarters and pool efforts in construction," raising a total of more than 1.42 billion yuan in 8 years, 4.7-fold the state investment in special projects. The combination of labor input by the masses with funding from various quarters and state subsidies, which is an embodiment of the policy of "self-reliance supplemented by state subsidies" put forward by the State Council, has accelerated the pace of building shelterbelts.

3. Relax the policies with regard to forestry and "let individuals, the collectives and the state all go ahead": In many of the places in the "Three North," afforestation and grass planting involve great difficulty and yield slow returns. It has been decided in many places that if the masses so request and have the ability to do so, they may contract out any size of land. The policy of whoever plants the trees owns them will remain and inheritance is permitted. This practice has aroused the enthusiasm of the masses in transforming the hills and controlling the sand to change the appearance of their native place. Specialized forestry households, small forestry yards, small orchards, and small nurseries emerged in large numbers. The percentage of afforestation by individuals and households by contract surged from less than 10 percent in 1982 to over 60 percent in 1984.

4. Give emphasis to key projects and boost returns on investment: Adhering to the principle of tackling the easier problems first, proceeding from the near to the far and giving emphasis to key projects, key projects were arranged during the first phase in an area where sandstorms and soil erosion are serious. This area starts from the western part of northeastern China and the eastern part of Nei Monggol and stretches westward from northern Hebei and suburban Beijing, through the loess hills and ravines of western Shanxi, the Mu Us Desert and the loess plateau to the west of the Weihe River to the Ziwu Ling Range and the Guanshan [7070 1472] Mountain. In the northwest, regional projects were arranged for the Huanghe irrigation area in Ningxia, the Hexi Corridor in Gansu, the Huangshui irrigation area in Qinghai and the fringes of the Taklimakan Desert in Xinjiang. These projects account for 70 percent of the total work volume and investment. In

the management funds application, an economic contract system which specifies the task, the amount of investment, quality standards and the persons in charge was implemented to ensure that special funds were used for specific purposes. As a result of strengthening leadership, perfecting the system, improving management and concentrating funds, projects in most of the key counties proceeded at a fast pace with good quality and achieved high returns on investment.

II

In order to properly carry out work during the second phase, the Ministry of Forestry set up in December 1983 a leadership group for planning the second phase of the "Three North" shelterbelt network project. After working for more than 2 years, planning for the second phase has now been completed. The plan covers 466 counties (banners), 70 more than the first phase. Total area covered amounts to 5.92 billion mu, 41 percent the total area of the country. The area has a total population of over 111 million, of whom 92 million are farmers.

The second phase commences in 1986 and will last for about 10 years. The tasks are: To properly manage and nurture existing forests and consolidate the achievements of the first phase; to strive to improve the quality of afforestation, build 95.5 million mu of forests (50 million mu to be completed during the Seventh 5-Year Plan period), close off afforested hills to protect the trees and grass, and undertake afforestation from the air on 25 million mu of land; to strengthen personnel training and scientific research, establish and make perfect grassroots-level forestry institutions and raise the level of scientific afforestation.

In the second phase, we must continue to implement the principle of giving emphasis to key projects. While grasping the key and regional projects defined during the first phase, we must devote special attention to five interprovincial (interregional) projects, namely the planting of trees in areas around the capital, the harnessing of the Horqin Desert and the Mu Us Desert, the planting of trees along the Beijing-Baotao and Baotao-Lanzhou railways, and the building of protective belts along the banks of the middle reaches of the Huang He. In the process of planning the second phase, all localities were called upon to define their own key projects in accordance with the principle of giving emphasis to key projects.

The completion of the second phase will further improve the natural and economic appearances of the "Three North." Forest cover will be extended from 5.9 percent to 7.7 percent and the shortage of "the four materials" (namely timber, feed, fertilizer, and fuel) will be further mitigated. About 50 counties (banners) will be afforested. In line with the need to develop agriculture, forestry and animal husbandry in a proportionate and well-coordinated way, 260 million mu of farmland will be protected by shelterbelts, regional shelterbelt networks will be built in the Horqin and Mu Us Deserts, soil erosion on one-third of the loess plateau will be brought under control, and the hazards of sandstorms and soil erosion will be reduced. The scenery in areas around the capital, along the Beijing-Baotao

and Baotao-Lanzhou railways and along the middle reaches of the Huang He will also undergo considerable changes.

III

The tasks of the second phase are formidable. In order to fulfill these tasks, the important thing is to continue to promote reforms, boldly blaze new trails and strive to open new horizons for the building of shelterbelts in the "Three North."

1. Promote a system of contract responsibility with regard to funds and better bring into play the enthusiasm of organizations at different levels: From 1986 onward, a system of contract responsibility shall be implemented with respect to investments for special projects in the "Three North" and forestry investments in the hands of various localities. Contracts have to be signed at each level. Contracting units at various levels must fulfill their tasks according to specifications regarding the task, the amount of investment, quality standards, and the persons in charge, and guarantee both quality and quantity. Substandard work must be made good. Those who practice fraud shall be required to return their state subsidies and the contractors concerned shall be held responsible.

2. Improve the method of managing fund applications and achieve better returns on investment: Specific investments for the second phase of the building of shelterbelts in the "Three North" shall mainly be spent on key projects and the building of nurseries and seed multiplication bases. A fair proportion shall be spent on scientific research and personnel training.

The masses should be given various types of assistance in their afforestation endeavors in accordance with the degree of difficulty, the types of forests and trees they plant and the rate and size of returns. The general principle is: The state shall give specific subsidies if the afforestation involves great difficulty and chiefly benefits the community and the ecological environment, with the masses basically having little or nothing to benefit from. The state may subsidize the cost of saplings or offer discounted loans if the projects take a long time to produce any returns or if they are of a development nature which requires huge funds that cannot possibly be met by individuals. Projects that offer huge returns and quick turnover shall be funded by the contractors themselves under the unified planning and technical guidance of the state.

3. Give full scope to the inherent vitality of forestry by using short-term projects to sustain long-term projects and sideline production to sustain forestry and using industry to back up forestry: In recent years, some places in the "Three North" have come up with new ideas in developing the production and processing of sideline forestry products, particularly in the utilization of shrubs. For example, the fruits of *hippophae rhamnoides* are used to make fruit juice and brew wine; the stem and leaves of lime are ground to make animal feed; and good results are achieved in building economic forests of hawthorn, Chinese prickly ash, and red dates that

promise high and quick returns and in growing medicinal herbs in forests. A lot can be done in this regard and the potential is great. Particularly important is that we pay attention to the development of new varieties and applications, strengthen scientific research and fully tap the latent potential of the forestry economy.

4. Fully bring into play the enthusiasm of different departments and speed up development: The "Three North" shelterbelt project is an undertaking that serves society and the public good. Thus, the whole society, including the PLA, the CYL and the strength of all economic sectors and social organizations must be mobilized and relied on to work on it. Local governments at all levels must help the coal, papermaking, and railroad departments solve the problem of land for afforestation. Remote regions beyond the reach of the masses may be contracted out to the armed forces for afforestation purposes.

5. Open up new channels of funding, actively look for foreign aid and absorb foreign capital: During the second phase, we must actively unfold the work of looking for foreign aid and absorbing foreign capital.

IV

The key to doing a good job of the great undertaking of building shelterbelts in the "Three North" lies in the efforts of the governments at all levels in those areas to effectively strengthen leadership, reform their work style, and do their work in a down-to-earth way.

1. Energetically commend the advanced and sum up and popularize experience: During the first phase of the building of shelterbelts in the "Three North," a number of model individuals and advanced units have emerged. In making their summing up, the authorities of various localities must actively publicize and promote the advanced deeds and experience of these individuals and units in order to propel and guide future work. S&T personnel, cadres, and individuals who assiduously did pioneering work and made notable achievements in afforestation and scientific research must be made models. Those who have made remarkable contributions must be greatly commended with monuments and inscribed boards dedicated to honor them.

On the basis of summing ups and the conferring of titles by various provinces, plans are made to hold a meeting to commend advanced collectives and individuals in building "Three North" shelterbelts in 1986 in the name of the "Three North" leadership group and the Ministry of Forestry. The meeting will also sum up the experience of the first phase and make mobilization for the second phase.

2. Establish a scientific management system and ensure the quality of work: All localities must make haste to work out scientific management methods and establish a scientific inspection and acceptance system. They must take this as their fundamental task. Areas afforested during the first phase must be checked and verified. They must be registered and put on file, with boundaries clearly marked and charts and maps drawn. In the second phase,

we must strictly act according to plan, strengthen technical guidance and inspection and acceptance at every link and ensure the quality of work.

3. Take further steps to establish and make perfect grassroots forestry institutions: During the first phase, forestry institutions in most counties were consolidated and strengthened. Some provinces even set up forestry institutions at the township level, which have played a useful role. Practice proves that where there are grassroots-level forestry institutions, the area afforested is more substantial and the quality of afforestation is higher. At present, two-thirds of the townships (towns) still do not have forestry centers. Some of the townships (towns) have forestry centers but no professional technical personnel. Leadership at all levels should take note of this situation and step by step establish and make perfect grassroots-level forestry institutions in the light of actual needs.

4. We must make haste to map out an overall plan: The overall plan may be in the form of an outline. The general requirement is: To put forward the strategic objectives of an overall plan from the perspective of the rehabilitation of our land, tackle problems comprehensively, coordinate the distribution of agriculture, forestry, and animal husbandry, pay attention to both ecological and economic benefits and develop a stable structure of forest ecology. There must be a clear and definite outline for the volume of work of the whole project, implementation plans for different stages, budgetary estimates and major measures and prospects.

Please approve and circulate the above report to the 12 provinces, autonomous regions, and centrally governed municipalities in the "Three North" and to the central departments concerned for implementation should nothing inappropriate be found.

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CSO: 4005/169

PRC PRESIDENTIAL APPOINTMENTS, REMOVALS

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 5, 10 Mar 86 p 127

[PRC Presidential Appointments and Removals (19 February 1986)]

[Text] 1. Du Gong [2629 2396] is appointed Ambassador Extraordinary and Plenipotentiary of the PRC to the Republic of Italy, while Lin Zhong [2651 0022] is relieved of his duties as Ambassador Extraordinary and Plenipotentiary of the PRC to the Republic of Italy.

2. Wang Benzuo [3769 2609 4373] is appointed Ambassador Extraordinary and Plenipotentiary of the PRC to the Islamic Republic of Iran, while Fan Zuokai [2868 0155 2818] is relieved of his duties as Ambassador Extraordinary and Plenipotentiary of the PRC to the Islamic Republic of Iran.

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END